

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 SSO-00 NSCE-00 INRE-00 ICAE-00

SP-02 AID-05 EB-08 TRSE-00 SS-15 STR-07 OMB-01

CEA-01 CIAE-00 COME-00 INR-10 LAB-04 NSAE-00

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FM AMEMBASSY MANAGUA

TO SECSTATE WASHDC IMMEDIATE 7507

INFO AMEMBASSY GUATEMALA

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

C O N F I D E N T I A L MANAGUA 3855

E.O. 11652: GDS

TAGS: BEXP, ELAB, NU

SUBJECT: POSSIBLE GENERAL WORK STOPPAGE

REFS: (A) MANAGUA 3206, (B) MANAGUA 3780

1. TAX PACKAGE PASSED BY NICARAGUAN CONGRESS BECAME LAW ON AUGUST 16 WITH ITS PUBLICATION IN LA GACETA. (SEE REF A). PASSAGE OF LAW HAS CAUSED A STRONG REACTION IN THE PRIVATE SECTOR. THE CHAMBER OF COMMERCE PUBLISHED ON AUGUST 14 A COMMUNIQUE WHICH SAID THAT THE TAXES WERE ILLEGAL, UNJUST, AND THE CHAMBER ENCOURAGED COMMERCIAL ESTABLISHMENTS NOT TO OBSERVE THE NEW TAXES. ON AUGUST 15, INDE (THE PRIVATE SECTOR DEVELOPMENT INSTITUTE) ISSUED A STATEMENT WHICH SUPPORTED THE CHAMBER OF COMMERCE'S STAND AND ADDED THAT THE INCREASED REVENUES ARE NEEDED BY THE GON DUE TO CORRUPTION AND INEFFICIENT MANAGEMENT IN THE PUBLIC SECTOR. ON AUGUST 16 A MEETING OF THE CONFEDERATION OF THE CHAMBERS OF COMMERCE (WHICH INCLUDES REPRESENTATIVES FROM ALL THE CHAMBERS IN THE COUNTRY) MET AND ISSUED A COMMUNIQUE LENDING SUPPORT TO THE CHAMBER'S ORIGINAL STATEMENT AND CALLED FOR UNIFIED PACIFIC

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ACTION AGAINST THE PAYING OF THE TAXES.

2. EMBASSY SOURCES INDICATE THAT ALTHOUGH THE NEW TAXES ARE NOW IN EFFECT, SOME LOCAL ESTABLISHMENTS ARE NOT CHARGING CUSTOMERS THE INCREASE IN THE GENERAL SALES TAX (BY 2 PERCENT) NOR THE INCREASES IN THE SELECTIVE CONSUMPTION TAX (VARY ACCORDING TO ITEM PURCHASED). FOUR OF SEVEN AUTOMOBILE DISTRIBUTORSHIPS

REPORTEDLY HAVE NOT INCREASED THEIR PRICES NOR HAVE AT LEAST TWO OF THE LEADING MANAGUA HARDWARE STORES.

3. CAPITALIZING UPON THE STRONG REACTION TO THE TAX PACKAGE, THE COMMERCIAL SECTOR IS ALLEGEDLY PROMOTING THE INITIATION OF A GENERAL WORK STOPPAGE ON AUGUST 23 OR 24. THE WORK STOPPAGE WOULD BE FOR AN INDEFINITE PERIOD OF TIME AND WOULD CALL FOR A CHANGE IN GOVERNMENT, I.E. SOMOZA'S RESIGNATION. EMBASSY SOURCES INDICATE THAT THE IMPETUS FOR THE GENERAL WORK STOPPAGE IS COMING NOT FROM MANAGUA ESTABLISHMENTS, BUT FROM MERCHANTS LOCATED IN THE OUTLYING CITIES, NOTABLY ESTELI, MATAGALPA, LEON AND CHINANDEGA.

4. SOME SOURCES HAVE INDICATED THAT THERE WAS SUPPORT FOR A WORK STOPPAGE TO BEGIN IMMEDIATELY FOLLOWING THE PUBLICATION OF THE TAX PACKAGE LAW, I.E., ON AUGUST 17. HOWEVER APPARENTLY FIRMS NEEDED TIME TO GATHER CASH IN ANTICIPATION OF PAYING ITS WORKERS FOR THE STRIKE PERIOD. HOWEVER, IF A WORK STOPPAGE IS TO BE CALLED, ITS INITIATION COULD NOT BE DELAYED TOO LONG IF THE AGRICULTURAL SECTOR (WHICH STARTS OPERATIONS IN OCTOBER), IS TO GRANT SIGNIFICANT SUPPORT TO THE MOVEMENT.

5. THE CHAMBER OF INDUSTRIES HAS NOT COME OUT IN SUPPORT OF THE ANTI-TAX MOVEMENT AND DOES NOT SEEM AS INCLINED TO SUPPORT A GENERAL WORK STOPPAGE AS DO THE OTHER ORGANIZATIONS. HOWEVER IF THE LABOR ELEMENTS WITHIN THE INDUSTRIAL SECTOR DO SUPPORT THE WORK STOPPAGE MOVEMENT, MANAGEMENT COULD BE POWERLESS TO PRE-
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VENT THEIR FIRMS' PARTICIPATION.

6. MEANWHILE, THE STRIKE BY HOSPITAL WORKERS IS IN ITS 28TH DAY AND DOES NOT APPEAR TO BE MOVING TOWARDS A CONCLUSION. JNAPS HOSPITAL BOARD OFFICIAL INDICATED TO EMBASSY THAT WORKERS ARE WAITING FOR GON TO MAKE A LOAN TO HOSPITAL BOARD TO FINANCE INCREASED WAGE DEMANDS BY WORKERS. HOWEVER, SOURCE INDICATED THAT THE GON DOES NOT HAVE THE NECESSARY FUNDS TO LEND, EVEN IF THE GON WERE WILLING TO BAIL OUT THE HOSPITAL BOARD. ON AUGUST 14, THE CONSTRUCTION WORKERS BEGAN A PREVIOUSLY THREATENED STRIKE IN SYMPATHY WITH THE HOSPITAL WORKERS AND IT IS ESTIMATED THT APPROXIMATELY 3,400 CONSTRUCTION WORKERS HAVE JOINED THE STRIKE, CLOSING DOWN APPROXIMATELY 40 CONSTRUCTION SITES. (SEE REF B).

7. THERE IS ALSO A MOVEMENT WITHIN THE BANKING SECTOR TO UNIONIZE WORKERS. EMBASSY SOURCES INDICATE THAT EMPLOYEES OF BANCO DE AMERICA, ONE OF THE TWO LARGEST PRIVATE COMMERCIAL BANKS IN THE COUNTRY, HAVE CIRCULATED A PETITION AMONG THE EMPLOYEES REQUESTING THAT THE MINISTRY OF LABOR ALLOW THEM TO UNIONIZE. REPORTEDLY, OVER ONE HUNDRED EMPLOYEES OF BANCO DE AMERICA HAVE SIGNED, BUT NO OTHER BANKS HAVE YET BEEN AFFECTED. LOCAL BANKING OFFICIALS INDICATE THAT THE STRIKE IS MOTIVATED MORE BY POLITICAL

REASONS THAN BY ECONOMIC CONSIDERATIONS.

8. THE NEXT FEW DAYS WILL BE VERY CRUCIAL TO THE PRO-WORK STOPPAGE
FACTIONS

AS MEETINGS BY THE VARIOUS ORGANIZATIONS ARE SCHEDULED
FOR MONDAY. EMBASSY WILL CONTINUE MONITORING SITUATION AND REPORT
ANY SIGNIFICANT TRENDS.

9. COMMENT: TENSION IN THE PRIVATE SECTOR HAS BEEN INCREASING
RECENTLY, FUELED BY THE ANNOUNCEMENT OF THE NEW TAX PACKAGE AND
THE BORROWING ABOARD OF \$41 MILLION BY THE GON. SUPPORT
FOR THE RUMORED WORK STOPPAGE HAS GROWN DURING THE PAST TWO DAYS
ALTHOUGH A COHESIVE CALL FOR A WORK STOPPAGE HAS NOT BEEN PU-
BLICIZED. ALTHOUGH OUTWARDLY THE MOVEMENT FOR A WORK STOPPAGE
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APPEARS BASED ON ECONOMIC ISSUES, EMBASSY FEELS MOTIVATION IS PRI-
MARILY POLITICAL. CERTAINLY, THE NEW TAX PACKAGE HAS AGGRAVATED
THE COMMERCIAL SECTOR, BUT IT APPEARS THAT THE REACTION TO IT IS
BEING USED FOR THE GREATER POLITICAL GOAL OF A CHANGE IN GOVERNMENT.
ALTHOUGH THE COMMERCIAL SECTOR SEEMS TO BE AWARE THAT ANOTHER
COSTLY WORK STOPPAGE COULD HAVE SIGNIFICANT NEGATIVE EFFECTS ON
THE ALREADY SAGGING ECONOMIC/INVESTMENT CLIMATE IN NICARAGUA,
THEIR POLITICAL DESIRES FOR A CHANGE IN GOVERNMENT MAY UL-

TIMATELY GAIN DOMINANCE OVER BUSINESS CONCERNS. THE MANAGER OF
ONE LEADING COMMERCIAL ESTABLISHMENT TOLD COMATT "WE ARE WILLING
TO LOSE A LOT OF MONEY, BUT WE WANT HIM (SOMOZA) OUT."
SOLAUN

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